

PDVSA V.I., Inc.
Petition for 2010 Tax Year

Exhibit A

Notice of Deficiency



GOVERNMENT OF
THE VIRGIN ISLANDS OF THE UNITED STATES
—0—
VIRGIN ISLANDS BUREAU OF INTERNAL REVENUE



6115 Estate Smith Bay, Suite 225
St. Thomas VI 00802
Phone: (340) 715-1040
Fax: (340) 774-2672

4008 Estate Diamond Plot 7 B
Christiansted VI 00820-4421
Phone: (340) 773-1040
Fax: (340) 773-1006

CERTIFIED RETURN RECEIPT REQUESTED

Date: December 30, 2014

EIN/SSN: [REDACTED] 0184

PDVSA VI, INC
c/o Eduardo Cukier
101 Park Avenue
New York, New York 10178-0061

**Last Date to File a Petition
with the U.S. District Court:**

Tax Year(s) Ended: CY-2010

May 29, 2015

Deficiency: \$2,360,738,677.00

We have determined that you owe additional tax or other amounts, or both, for the tax year(s) identified above. This letter is your NOTICE OF DEFICIENCY, as required by law. The enclosed statement shows how we figured the deficiency.

If you want to contest this determination in court before making any payment, you have 90 days from the date of this letter (150 days if this letter is addressed to you outside the Virgin Islands) to file a petition with the United States District Court of the Virgin Islands for a re-determination of the deficiency. The District Court cannot consider your case if the petition is filed late. The petition is timely filed if the postmark date falls within the prescribed 90 or 150 day period and the envelope containing the petition is properly addressed with the correct postage.

The time you have to file the petition with the court is set by law and cannot be extended or suspended. Thus, contacting the Bureau for more information, or receiving other correspondence from the Bureau will not change the allowable period for filing a petition with the District Court.

As required by law, separate notices are sent to husbands and wives. If this letter is addressed to both husband and wife, and both want to petition the District

Court, both must sign and filed the petition or each must file a separate, signed petition. If more than one year is shown above, you may file one petition form showing all of the years that you are contesting.

If you decide not to file a petition with the District Court, please sign the enclosed waiver form and return it to the Bureau. This will permit us to assess the deficiency quickly and can help limit the accumulation of interest.

If you decide not to sign and return the waiver, and you do not file a petition with the District Court within the time limit, the law requires us to assess and bill you for the deficiency after 90 days from the date of this letter (150 days if this letter is addressed to you outside the Virgin Islands).

NOTE: If you are a C-corporation, section 6621(c) of the Internal Revenue Code requires that we charge an interest rate two percent higher than the normal rate on corporate underpayments in excess of \$100,000.

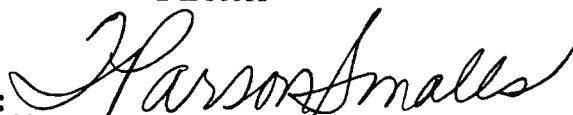
If you have questions about this letter, you may write or contact the undersigned. When writing, please include your telephone number and the best time to call if we need more information. If you prefer to call, please call the number on the top of page one and ask for extension 2249.

The undersigned can assess your tax information and help you get answers. You also have the right to contact the Office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established Bureau procedures such as the formal appeals process. The Taxpayer Advocate is not available to reverse legally correct tax determinations, nor extend the time fixed by law that you have to file in the U.S. District Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. If you want Taxpayer Advocate assistance, please contact Marcella Somersall, Acting Taxpayer Advocate, at the above address, or by calling (340) 715-1040, ext. 2240.

Thank you for your cooperation.

**Claudette J. Watson-Anderson, CPA
Director**

By:



**Tamarah Parson Smalls, Esq.
Chief Counsel**

**Enclosures
/mn**

Type of Return POST EOD

Page ____ of ____ Pages

Form 4549 (Rev. July 1992)		United States Virgin Islands - Bureau of Internal Revenue		Return Form No. 1120	
Income Tax Examination Changes					
Name and Address of Taxpayers: PDVSA VI, INC C/O GEORGE HT DUDLEY PO BOX 756 ST. THOMAS VI 00804		S.S. or E.I. Number 0184		Filing Status	
		Person with whom examination changes were discussed		Name and Title Eduardo Cukier, Esq.	
1. Adjustment to Income		YEAR: 2010			
a. OTHER INCOME (Ordinary Income Flow-through form Hovensa, LLC)		6,131,565,892.00			
b. OTHER INCOME - OTHER NET RENTAL INCOME (LOSS)		120,366.00			
c. OTHER DEDUCTIONS - LEGAL & PROFESSIONAL		1,022.00			
d. OTHER DEDUCTION - NET LOSS (Sch K-1 from Hovensa, LLC)		238,799,772.00			
e.					
f.					
g.					
2. Total Adjustments		6,370,487,052.00			
3. Adjusted Gross or Taxable Income Shown on Return or as Previously Adjusted		(238,698,281.00)			
4. Corrected Adjusted Gross or Taxable Income		6,131,788,771.00			
5. Corrected Tax		2,146,126,070.00			
6. Alternative Tax, If Applicable					
7. Tax surcharge		214,612,607.00			
8. Corrected Tax Liability (Lessor of line 5 or 6 plus line 7)		2,360,738,677.00			
9. Less Credits					
a.					
b.					
c.					
10. Balance (Line 8 less total 9a through 9c)		2,360,738,677.00			
11. Plus Other Taxes					
a. Tax From Recomp Prior Yr Investment Cr					
b. Self-Employment Tax					
c.					
12. Total Corrected Tax Liability (Line 10 plus total of lines 11a through 11c)		2,360,738,677.00			
13. Total Tax Shown on Return or as Previously Adjusted		0.00			
14. Deficiency - (Increase in Tax before credit adjustments, Line 12 less line 13)		2,360,738,677.00			
15. Overassessment (Decrease in tax before credit adjustments, Line 13 less line 12)		0.00			
16. Adjustments to Prepayment Credits					
17. Balance Due (Line 14 or 15 adjusted by line 16)		2,360,738,677.00			
18. Overpayment (Line 14 or 15 adjusted by line 16)		0.00			
19. Estimated Tax Penalty, if any		0.00			
20. Other Penalty, if any (Must specify Valid Code)		919,768,316.00		\$531 <--Code	
21. Other Penalty, if any (Must specify Valid Code)		472,147,735.40		\$6662 <--Code	

Other Information:

Date Filed: 08/29/2011

Examiner's Signature

District

Date

Consent to Assessment and Collection: I do not wish to exercise my appeal rights with the Bureau of Internal Revenue or to contest in the District Court of the Virgin Islands the findings in this report. Therefore, I give my consent to the immediate assessment and collection of any increase in tax and penalties, and accept any decrease in tax and penalties shown above, plus any interest as provided by law. I understand that this report is subject to acceptance by the Director.

NOTE: Attach
Power of Attorney
for Authorized
Representative

Signature of Officer

Date

Signature of Officer

Date

By: Authorized Representative

Title

Date

Form 886-A (Rev. October 2011)	EXPLANATION OF ITEMS		Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended	
PDVSA VI, INC	0184	12/31/2010	

Other Income – Other Net Rental Income

Other net rental income of \$120,366.00 on the Schedule K-1 from Hovensa, LLC was recaptured and allowed as income under other income for the 2010 tax year as per IRC §§ 701 & 702.

Legal & Professional

Legal & professional expenses of \$20,976.20 are being allowed based on the invoices provided by taxpayer to verify the expenses. However, the 2009 invoices totaling to \$1,021.00 for legal & professional expenses deducted in tax year 2009 was disallowed, because taxpayer uses the accrual method for accounting to compute their taxable income and only expenses incurred in 2010 tax year are deductible as per IRC §§ 162 & 461.

Other Deduction – Net Loss

The net loss of \$238,799,772.00 deducted on taxpayer 2010 1120 US Corporation Income Tax Return was disallowed, due to the positive adjustment made to Hovensa, LLC 2010 1065 Us Return of Partnership Income which \$6,131,565,892.00 flow-through to their shareholders as per IRC §§ 162, 701 & 702.

Penalties:

The accuracy-related penalty on understatement, the substantial understatement of income tax was applied on taxpayer understatement of income tax for the 2010 tax year as per IRC §§ 6662(a) & (d).

The accumulated earning tax § 531 was applied for taxpayer reason for the large accumulated earnings is to pay on loan agreements to their parent (PDVSA) and brother-sister corporation is not a valid business need as per IRC §§ 531 & 532.